

DIRECT TESTIMONY AND EXHIBIT OF

SARAH E. WILHITE

ON BEHALF OF

THE SOUTH CAROLINA OFFICE OF REGULATORY STAFF

DOCKET NO. 2019-3-E

IN RE: ANNUAL REVIEW OF BASE RATES FOR FUEL COSTS

OF DUKE ENERGY CAROLINAS, LLC

Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS AND OCCUPATION.

A. My name is Sarah E. Wilhite. My business address is 1401 Main Street, Suite 900, Columbia, South Carolina 29201. I am employed by the State of South Carolina as the Deputy Director of Utility Services in the Utility Rates and Services Division of the Office of Regulatory Staff (“ORS”).

Q. PLEASE STATE YOUR EDUCATIONAL BACKGROUND AND EXPERIENCE.

A. I received my Bachelor of Science from the University of South Carolina in 1995. Prior to my employment with ORS, I held a variety of positions supporting both regulated and deregulated utility operations for electric, natural gas, and telecommunication providers across the southeast. My duties included customer service, information technology, product marketing, and regulatory consulting.

I joined ORS in 2016 as Deputy Director of Utility Services. In this role I supervise the daily activities related to the technical areas of Distributed Energy Resources, solar leasing, and Demand Side Management and Energy Efficiency. I am also responsible for the daily operations of ORS Consumer Services Division.

Q. HAVE YOU TESTIFIED BEFORE THE PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA (“COMMISSION”)?

A. Yes. I have testified before the Commission in matters related to electric utility annual review of base rates for fuel proceedings.

Q. WHAT IS THE MISSION OF ORS?

A. ORS represents the public interest as defined by the South Carolina General Assembly as:

[T]he concerns of the using and consuming public with respect to public utility services, regardless of the class of customer and preservation of continued investment in and maintenance of utility facilities so as to provide reliable and high-quality utility services.

Q. WAS THE REVIEW PERFORMED BY YOU OR UNDER YOUR SUPERVISION?

A. Yes, the review to which I testify was performed by me or under my supervision.

Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. The purpose of my testimony is to set forth ORS’s recommendations resulting from the examination of Duke Energy Carolinas, LLC’s (“DEC” or “Company”) Distributed Energy Resource Program (“DERP”) expenses for the period of June 2018 through May 2019 (“Actual Period”), June 2019 through September 2019 (“Estimated Period”), and October 2019 through September 2020 (“Forecasted Period”).

Q. WHAT EXPENSES RELATED TO THE COMPANY’S DERP ARE INCLUDED IN THIS PROCEEDING?

A. Pursuant to S.C. Code Ann. § 58-39-130(A)(2) (2015), an electrical utility with an approved DERP may recover associated costs that are reasonably and prudently incurred, and pursuant to S.C. Code Ann. § 58-39-140(F) (2015), cost recovery shall remain in force until all approved DERP components have been recovered. The Company’s DERP was

approved in Commission Order No. 2015-515 and the Company included in this filing actual, estimated and forecasted avoided and incremental costs for the period of June 1, 2018 through September 30, 2020.

Q. PLEASE EXPLAIN THE INCLUSION OF DERP AVOIDED COSTS TO BE RECOVERED IN THIS PROCEEDING.

A. According to S.C. Code Ann. § 58-39-140, payments for electricity provided under the DERP that are paid at avoided cost rates or rates negotiated pursuant to the Public Utility Regulatory Policy Act of 1978 (“PURPA”), whichever is lower, are eligible to be recovered through the DERP avoided cost component.

The Company incurred DERP avoided costs during the Actual and Estimated Periods for utility-scale purchased power, Shared Solar program, excess Net Energy Metering (“NEM”) payments to customers, and three (3) buy-all sell-all customer agreements. The Company allocated these costs using the same method used to allocate and recover variable environmental costs. Actual and estimated DERP avoided cost totals are shown in ORS witness Briseno’s Audit Exhibit ADB-10.

Q. WHAT TYPES OF EXPENSES DID THE COMPANY INCLUDE AS DERP INCREMENTAL COSTS?

A. The Company included General and Administrative costs incurred to implement the Company’s DERP, costs related to the Shared Solar Program, costs above avoided costs, NEM incentives, NEM avoided capacity costs, amortization of solar rebates and related carrying costs, NEM meter costs, and interest on under-collection of DERP incremental costs due to annual recovery caps prescribed in S.C. Code Ann § 58-39-150 for the Actual, Estimated, and Forecasted Periods. Actual and estimated cost totals are

shown in ORS witness Briseno's Audit Exhibit ADB-9. Exhibit SEW-1 reflects the over-recovered and total estimated and forecasted incremental costs.

Q. IN DOCKET NO. 2018-319-E, THE COMPANY COMMITTED TO OFFSETTING THE BALANCE OF THE DERP INCREMENTAL COSTS DUE TO THE REDUCTION IN THE FEDERAL CORPORATE INCOME TAX RATE. IS THAT REFLECTED IN THE COMPANY'S FILING?

A. Yes. The Company deferred excess revenue as required by the Commission in Docket No. 2017-381-A, Order No. 2018-308. In the Company's general rate case (Docket No. 2018-319-E), the Company committed to applying the deferred excess revenue to reduce DERP costs. The DERP solar rebate deferral balance as of September 30, 2018 was offset against deferred excess revenues. The Company applied the deferred excess revenue in April 2019 and the resulting reduction of DERP costs is reflected in Company witness McGee's Exhibit 9, Line 18.

Q. DID THE COMPANY MAKE ANY ADJUSTMENTS DURING THE ACTUAL AND ESTIMATED PERIODS FOR DERP INCREMENTAL COSTS?

A. Yes. As demonstrated in ORS witness Briseno's testimony and Exhibit ADB-9, the Company made four (4) adjustments to DERP incremental costs during the Actual and Estimated periods. These adjustments can be explained in more detail by Company Witness McGee.

Q. DID ORS FIND THE COMPANY'S DERP AVOIDED AND INCREMENTAL COSTS TO BE REASONABLE?

A. Yes. ORS reviewed actual DERP avoided and incremental costs and found them to be reasonably and prudently incurred in implementing the Company's DERP. ORS also

reviewed the Company's Estimated and Forecasted DERP avoided costs, and Forecasted DERP incremental costs, and found them to be reasonable.

Q. PLEASE EXPLAIN THE DERP CHARGE PER ACCOUNT.

A. The fixed charge by which the Company proposes to recover DERP incremental costs ("DERP Charge") is determined by allocating DERP incremental expenses in the same way the Company allocates variable environmental expenses. The revenue is collected as a fixed charge per account to ensure that no account charge exceeds the annual recovery caps prescribed in S.C. Code Ann. § 58-39-150. ORS finds the Company's methodology to calculate, allocate and collect the DERP Charge complies with Act 236 and with Commission orders.

Q. WILL THE ANNUAL DERP CHARGE RECOVER ALL THE INCREMENTAL COSTS?

A. Yes. The revised DERP Charge will recover all the incremental costs allocated to all customer classes. See Exhibit SEW-1 for the DERP charge per customer class. The difference between ORS's and the Company's calculations are due to rounding.

Q. HOW ARE UNDER-COLLECTED INCREMENTAL COSTS TO BE TREATED?

A. Any under-collected incremental costs incurred in the review period will be treated in the same manner as other fuel and fuel-related under-collected balances are treated. Any under-collection will earn carrying costs until the following year when it will be reallocated using each class's contribution to peak demand.

Q. DID THE COMPANY UPDATE THE VALUE OF DISTRIBUTED ENERGY RESOURCES?

1 **A.** Yes. As shown in Company witness Martin's testimony (page 9), DEC proposes a
2 total value of NEM distributed generation of \$0.05312/kilowatt-hour ("kWh") for
3 residential solar generation, \$0.05311 kWh for small general service generation, and
4 \$0.05299/kWh for large solar generation. In this proceeding, the Company calculated a
5 separate value for residential solar generation based on the availability of actual customer
6 data. The Company continues to utilize third-party solar load profile data for non-
7 residential customers.

8 **Q. IS THE COMPANY'S CALCULATION OF THE NEM INCENTIVE**
9 **CONSISTENT WITH DOCKET NO. 2014-246-E?**

10 **A.** Yes. The Company used the methodology approved in Commission Order No.
11 2015-194 to calculate the NEM incentive. The Company determined the difference
12 between the expected revenues from NEM customers with and without DERP. Once the
13 revenue gap was identified, the value of the customers' distributed generation was
14 calculated using the amount from the NEM tariff approved in Commission Order No. 2018-
15 652 in Docket No. 2018-3-E. The outstanding revenue was divided by the number of kWhs
16 the customers of each applicable rate schedule generated to calculate the NEM incentive.

17 **Q. DID ORS REVIEW THE PROPOSED UPDATES TO RIDER RNM THAT THE**
18 **COMPANY INCLUDED IN THIS PROCEEDING?**

19 **A.** Yes. ORS reviewed and verified the updates to the value of NEM distributed energy
20 resources as discussed in Company witness Martin's testimony and shown in Martin
21 Exhibit 1.

22 **Q. WILL YOU UPDATE YOUR TESTIMONY BASED ON INFORMATION THAT**
23 **BECOMES AVAILABLE?**

1 **A.** Yes. ORS fully reserves the right to revise its recommendations via supplemental
2 testimony should new information not previously provided by the Company, or other
3 sources, becomes available.

4 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

5 **A.** Yes.

Office of Regulatory Staff
Calculation of DERP Charge
Duke Energy Carolinas, LLC
Docket No. 2019-3-E

EXHIBIT SEW-1

(Over)/Under-Recovery of DERP Incremental Costs			
June 2018 through September 2019			
	Residential	Commercial	Industrial
Cumulative (Over)/Under-Recovery	(\$749,444)	(\$349,513)	(\$363,369)
(Over)/Under-Recovery of DERP Incremental Costs			
October 2019 through September 2020			
	Residential	Commercial	Industrial
Cumulative (Over)/Under-Recovery	\$4,429,441	\$2,065,730	\$2,147,622
Total DERP Charge			
October 2018 through September 2020			
	Residential	Commercial	Industrial
Cumulative Under-Recovery through September 2020	\$3,679,997	\$1,716,217	\$1,784,253
Number of accounts	496,576	73,287	1,575
Annual Cost (\$) ^{1, 2}	\$7.41	\$23.42	\$1,132.86
Monthly DERP Charge (\$) ¹	\$0.62	\$1.95	\$94.41

¹ ORS' review does not include Gross Receipts Tax.

² The difference between ORS's and the Company's calculations are due to rounding.